



Montgomery County Consolidated Retiree Health Benefits Trust

Statement of Investment Policy & Objectives

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I) PURPOSE

The purpose of this statement of policies and objectives is to provide a framework for the management of the investment programs of the Montgomery County Consolidated Retiree Health Benefits Trust ("CRHBT" or "Trust"). The statement outlines the goals and objectives, sets forth investment structures for the Trust, and defines the roles and responsibilities of the various entities involved in the investment process. The Board of Trustees (the "Board") adopts this Statement of Investment Policy and Objectives as a guide to the exercise of its powers and duties in overseeing the investment program of the Trust.

The Montgomery County Code ("Code") grants the Board the exclusive authority to manage the assets of the Plans and to select investment options that the Board considers prudent subject to the Standard of Care set forth in County Code Section 33-163 as outlined below:

A fiduciary must discharge its duties regarding the Trust:

- a. only in the best interest of the participants and their eligible dependents;
- b. only to provide benefits to the participants in the retiree benefit plans and to defray reasonable expenses of administering the CRHBT;
- c. with the care, skill, prudence, and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes;
- d. by diversifying the investments of CRHBT to minimize the risk of large losses, unless it is clearly not prudent to diversify under the circumstances;
- e. according to a good faith interpretation of the statutes, documents, and instruments governing CRHBT.

Given the dynamic nature of the investment environment, this statement provides a framework which allows sufficient flexibility in the management and oversight process while setting reasonable parameters to ensure prudence and care in the implementation of the investment programs.

This statement does not restrict or limit the Board from taking any action it deems appropriate. Periodic revisions will be made as deemed necessary to ensure that this Statement remains consistent with the Trust's circumstances and with the overall investment and economic environment.

II) ROLES AND RESPONSIBILITIES

A) Key Roles in the Investment Process

- 1) The Board establishes and maintains broad policies and objectives for all aspects of the Trust. The Board's function is to provide oversight and set policy for the Trust consistent with the authority granted under state and local law. The Board ensures that appropriate and consistent investment results are achieved on a cost effective basis for its beneficiaries while avoiding unacceptable risk levels.
- 2) The Executive Director has broad authority for managing the day to day operations of the Trust. The investment-related functions are handled by Staff Investment Officers and Analysts with all decisions approved unanimously by the Staff Investment Committee, which is comprised of the Executive Director, Investment Officers, and Analysts.
- 3) Investment consultants may provide expert knowledge and provide advice on the policies related to the investment programs. Any consultants shall act in a fiduciary capacity

providing an independent third party perspective and evaluation of the investment programs.

- 4) The custodian for the Trust is responsible for maintaining the official book and records, providing performance reports and serving as an additional layer of risk control in the safekeeping of assets of the Trust through monitoring of the portfolio and investment manager guidelines.
- 5) Investment managers invest assets in accordance with their written guidelines which reflect this statement, as appropriate.

B) Tables of Roles and Responsibilities

The tables below summarize the roles and responsibilities of the various parties responsible for management and administration of the Trust's investment programs. All parties listed below act as fiduciaries to the CRHBT, with the exception of Board counsel and certain private fund managers. The denotation of "Staff" in the tables refers to the Staff Investment Committee, which is comprised of the Executive Director, Investment Officers, and Analysts.

INVESTMENT POLICY			
ROLE	BOARD	STAFF	INDEPENDENT 3 RD PARTY
Determine investment objectives and constraints	Approves	Recommends	n/a
Set target asset allocation and ranges	Approves	Recommends	n/a
Establish alpha and beta risk budgets	Approves	Recommends	n/a
Select benchmarks for performance measurement	Approves	Recommends	n/a
Establish and modify investment policies	Approves	Recommends	Reviews (counsel)
Investment education and research	Required	Input	n/a

INVESTMENT IMPLEMENTATION			
ROLE	BOARD	STAFF	INDEPENDENT 3 RD PARTY
Custodian selection	Approves	Recommends	Reviews contract (counsel)
New strategies and investment vehicles	Approves	Recommends	Reviews contract (counsel)
Portfolio and asset class structuring	Approves	Recommends	n/a
Manager hiring/terminations	Approves	Recommends	Reviews contract (counsel)
Establishment of investment guidelines	Monitors/Reviews	Approves	Input/Adherence (investment managers)
Contract execution and amendments	Approves	Recommends Reports (Counsel)	Input (investment managers) Reviews contract (counsel)
Execution of rebalancing and liquidity management programs	Monitors/Reviews	Approves	n/a

EXECUTION OF INVESTMENT MANDATE			
ROLE	BOARD	STAFF	INDEPENDENT 3 RD PARTY
Global custody and depository services	Reviews	Reviews	Oversight(custodian)
Securities lending program	Reviews	Reviews	Management (custodian)
Investment Selection/ Portfolio Management	Reviews	Reviews	Management (investment managers)

INVESTMENT MONITORING & REPORTING			
ROLE	BOARD	STAFF	INDEPENDENT 3 RD PARTY
Investment manager oversight	Monitors/Reviews	Reports	Reports (custodian)
Evaluation of investment policy decisions (attribution, risk budgeting)	Monitors/Reviews	Reports	Reports (custodian)
Monthly investment performance evaluation (overall, sector-level, manager-level)	Monitors/Reviews	Reports	Reports (custodian/investment managers)
Quarterly investment performance evaluation (overall, sector-level, manager-level)	Monitors/Reviews	Reports	Reports (investment managers)
Peer and benchmark comparison	Monitors/Reviews	n/a	Reports (custodian)
Annual review of asset classes	Reviews	Reports	Input/Participation (investment managers)
Quarterly investment activity (additions, withdrawals and terminations)	Monitors/Reviews	Reports	n/a

III) INVESTMENT POLICY AND OBJECTIVES

The Board recognizes its fiduciary responsibility to manage the CRHBT assets prudently and solely in the interest of participants and their eligible dependents and for the exclusive purpose of paying benefits and reasonable administrative expenses. The Board believes it can provide consistent, long-term performance at appropriate levels of risk by taking into account various factors, as defined in the Board's Governance Manual, that have a material impact on investment risk and return.

The CRHBT investment portfolio is a discretionary portfolio with a return objective of maximizing return over the long term at prudent and reasonable levels of risk. The return objective of the program emphasizes total return, favoring capital growth over current income. The following CRHBT plan characteristics justify this objective:

- 1) Because contributions will exceed payouts for the foreseeable future, the CRHBT portfolio does not need to produce high levels of current income.
- 2) Because the CRHBT is tax-exempt, there are no tax consequences relating to investment returns. Therefore it does not matter whether the CRHBT generates ordinary income versus capital gains.
- 3) Benefit obligations are very sensitive to inflation, specifically the rate of increase of medical costs. Thus, real returns are more important than nominal returns in establishing an investment structure to meet return requirements.
- 4) The goal of the CRHBT investment program is to achieve a rate of return in excess of the required return established by the Plan Administrator for actuarial purposes. While the Board is cognizant that a total return-based investment program may produce short-term periods of underperformance relative to the actuarial rate, the Board believes that a long-term investment program focused on capital growth can be developed and maintained which is expected to at least achieve, if not exceed, the actuarial rate over the long-term.

IV) ASSET ALLOCATION

A) Policy Targets and Ranges

The Board will establish asset allocation targets based on analysis of the CRHBT liability structure and expected market conditions over a five- to ten-year time horizon. These written policy levels will include acceptable ranges of exposure for primary asset classes.

The desire to maintain the constant strategic mix must be balanced with the cost of portfolio rebalancing. In establishing its risk tolerance, the Board considers its ability to withstand short and intermediate term characteristics of various asset classes, focusing on balancing risk with expected return. One essential component of a strategic asset allocation policy is the development of and use of rebalancing ranges for each target allocation allowing for fluctuations that are inherent in marketable securities. The Board has established tactical ranges within which each asset allocation is allowed to move without provoking any rebalancing transactions. The allowable ranges shall guide asset class and manager rebalancing decisions by the Executive Director and/or the Board. The rebalancing targets and ranges established by the Board are shown below:

	Target Allocation	Allowable Ranges
Domestic Equities	19%	16 to 22%
International Equities	15	12 to 18
Emerging Market Equities	3.8	2.3 to 5.3
Global Equities	4.2	2.7 to 5.7
Private Equity	8	5 to 11*
Total Equity	50	45 to 55
Long Duration	13.5	10.5 to 16.5
High Yield Bonds	10	7 to 13
Credit Opportunities	2	0.5 to 3.5*
Total Fixed Income	25.5	20.5 to 30.5
Global ILs	12	9 to 15
Private Real Assets	5	2 to 8*
Public Real Assets	6.5	3.5 to 9.5
Total Real Assets	23.5	18.5 to 28.5
Cash	1	0.75 to 1.25

Alternative assets* target allocations, and recent changes to the target allocation, may be reached over a long time horizon, therefore, funds to be invested in these asset classes may temporarily reside in other asset classes. The target allocation and allowable ranges of the affected asset classes may be temporarily altered to account for this.

B) Rebalancing

The strategic objective of the CRHBT's rebalancing program is to maintain the Trust's asset allocation targets while limiting unintended drift from the target weights caused by market movements and individual investment manager performance. Significant movements from the long term asset class policy weights will alter the expected return and risk of the Trust's portfolio. The most efficient rebalancing method minimizes the tracking error related to drifts from the target allocation at the lowest possible transaction cost.

1) Managers

Within all asset classes there is “misfit” risk arising from operating under broadly defined benchmarks for the asset class while employing managers who pursue narrower strategies in implementation. The Board structures managers within each asset class through a process which considers return, tracking error and factor risks, as well as qualitative assessments, to identify the optimal allocation to each manager. Similar to the overall Trust, market movements and individual manager performance will cause periodic deviations in actual manager weights from their target allocation. To minimize the tracking error related to these deviations, the Board establishes a rebalancing range of 90% - 110% of each manager’s target allocation.

2) Monitoring Requirements

Board Staff will monitor the Trust’s total allocation by manager and asset class on a daily basis through the custodian bank’s risk compliance system. A daily asset allocation worksheet will be maintained reflecting the current allocation of each asset class and manager compared to the target allocation. Any breach of the allowable ranges will be reported to the Staff Investment Committee along with a recommendation for correction. The Executive Director will approve the transfer of funds to accomplish the rebalancing initiative.

Each portfolio manager will monitor the Trust’s sub asset class allocation including style, sector, market capitalization, credit rating and duration and may recommend rebalancing to the Staff Investment Committee to minimize unintended benchmark drift.

3) Rebalancing Process

The Board directs the Executive Director to take all actions necessary, within the confines of this statement, to act prudently to rebalance assets to within target ranges in a timely and cost effective manner when actual weights are outside the target range. The Board authorizes the Executive Director to transfer assets, by purchase or sale, between asset classes to return the asset allocation to the midpoint between the upper or lower level of the allowable range and target allocation. If a manager’s allocation deviates outside the approved ranges, the Board authorizes the Executive Director to transfer assets, by purchase and sale, between managers to return the manager’s allocation to their target allocation. Movement from one manager to another will be based on the relative over/underweight of the manager to the manager’s target allocation, liquidity characteristics, and current market conditions.

The Executive Director shall also consider the current positioning of the Asset Allocation relative to the target weights of each asset class when determining where to raise cash to fund Target allocations for new asset classes.

Any manager may be increased or decreased to achieve the rebalancing objective; however, given the illiquidity of private equity and private real assets, it may not be optimal to automatically require rebalancing for these asset classes should an allowable range be exceeded. In the event that targets for these two asset classes are exceeded, Staff will initiate discussions with the Board as to the most efficient means of rebalancing which may include adjusting the annual commitment pace for the asset class. Additionally, the Board authorizes the Executive Director to invest funds that would otherwise be invested in an underweight manager in a passive vehicle to acquire the desired market exposure.

The Executive Director will bring to the Board recommendations beyond the procedures outlined, including the use of derivatives, when appropriate.

4) Cash Management

The Trust currently has cash inflows (primarily contributions) in excess of cash outflows to pay investment management fees and administrative expenses. Therefore cash inflows will be used to bring the Trust back to the strategic asset allocation established by the Board.

V) INVESTMENT PROGRAM STRUCTURE

The allocation of funds to various types of investments is of utmost importance in structuring an efficient portfolio designed to meet the CRHBT's objectives. Investments are not restricted by asset class or type and may include any investment deemed prudent by the Board, except as noted below. County statute, with certain exceptions, requires that all funds in the CRHBT portfolio be managed by external investment managers who serve at the pleasure of the Board. External investment managers have full discretion over acquisitions and dispositions of investments and must adhere to guidelines set forth by Staff. Managers shall be selected based on standards and procedures documented in the Governance Manual.

A) Investment Restrictions

1) Legal Prohibitions

- (a) County statute prohibits the Board from engaging in any transaction between the trust and the County or entity controlled by the County in which the Board does not receive appropriate compensation for any investments made or services provided.

2) Other Investment-Related Issues

(a) Proxy Voting

As proxy voting rights are considered assets of the CRHBT, the Board recognizes its fiduciary responsibility to ensure that such rights are protected and therefore, delegates the authority to the investment managers responsible for such assets. Managers have full discretion to vote such proxies in the interest of the CRHBT, and must report voting activity to the Board on at least an annual basis.

(b) Fees, Commission, and Similar Expenses

A fair price will be paid for services. Transactions or trading fees paid from CRHBT assets must be only the "best execution" as determined in the sole judgment of the investment manager ordering the transaction. Full disclosure and Board approval is required if any portion of fees generated by transactions in an account produce value or income for an entity other than CRHBT. All transactions must comply with the County Code.

VI) RISK MANAGEMENT

Risk management is central to managing the assets of the CRHBT. The Board recognizes that achieving the Trust's return objectives requires prudent risk-taking, and that risk is the prerequisite for generating excess investment returns. Therefore the Board's policy regarding investment risk, consistent with modern portfolio theory, is that risk cannot be eliminated but should be managed, and that fiduciaries have the obligation to utilize risk efficiently. That is, fiduciaries are responsible for understanding the risks in various investment strategies, ensuring that they are properly compensated for these risks, and measuring and monitoring them continually. In particular, the level of risk taken should be consistent with the return objectives of the Trust.

This will be accomplished by maintaining a well-diversified CRHBT portfolio. In addition to diversification by asset class, investments will be diversified by manager styles and market segments, within acceptable ranges. In aggregate, the investments are expected to produce a sufficient return over the long term while prudently managing risk.

Recognizing risk management objectives, the Board ensures adequate risk control through the following means:

A) Diversification

- 1) Investments shall be diversified to minimize the impact of the loss from individual investments. In addition to achieving diversification by asset class, careful attention shall be paid to diversification within each asset class and sub-allocation and across managers.
- 2) To mitigate this risk, the Board has established the following manager funding limits:
 - a. No single manager will be allocated in excess of 30% of CRHBT fund assets. The objective of this limitation is to ensure diversification of business risk.
 - b. No single active product of a given firm will be allocated in excess of 20% of CRHBT assets. The objective of this limit is to ensure diversification of strategy risk.
 - c. No single manager will be allocated in excess of 75% of a given asset class. Asset classes are defined as follows: Equities, Fixed Income and Real Assets.
 - d. The CRHBT shall not comprise more than 20% of the capital committed to a private commingled fund.

B) Portfolio Guidelines

Every portfolio shall operate under written guidelines approved by both Board Staff and the Investment Managers that are designed to ensure the portfolio pursues its return objective within the acceptable risk parameters.

C) Risk Parameters

The total active risk shall be within the margin approved by the Board. Staff shall recommend the risk parameters. In consideration of sensitivity to investment risk, the Board will regularly review its asset allocation in terms of risk weights (i.e. volatility) as well as in terms of dollar weights.

D) Compliance Monitoring

Risk management will include a reporting methodology that ensures that the Board's fiduciary responsibilities are met in a consistent manner.

E) Use of Derivatives

The strategic objective of the use of derivatives is to facilitate risk management. The use of derivatives allows the manager to separate risk and in particular, to target the specific risk defined within the manager's guidelines. In addition, derivatives may facilitate the implementation of more advanced investment strategies. These strategies may improve the portfolio's efficiency and assist with the aim of maximizing the expected return of the investments at a given level of risk.

The investment philosophy adopted by the Board which governs the use of derivative securities is as follows:

Derivatives should be used only in circumstances where they offer the most economic means of gaining exposure to an asset class (i.e. commodities or currencies) or improving the risk/reward profile of the portfolio (the cost of the derivative versus the cost of constructing an equivalent position in traditional securities).

Derivatives should not increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. In particular, the use of derivatives should not violate the Board's or investment manager's guidelines that limit exposure to market, sector, and security risks.

Derivatives should not be used to increase the dollar value of the position (economic leverage). Any leveraging of the portfolio is prohibited, unless expressly permitted by an investment policy and/or manager guidelines.

Derivatives should not be used to acquire outright exposure to changes in the value of assets or indices that by themselves would not be purchased for the portfolio.

1) Derivatives Strategies

Below are the four basic strategies that can be achieved through the use of derivatives. Of these four strategies, substitution, risk control and arbitrage are permitted; speculation is prohibited.

(a) Permitted

Substitution: When the characteristics of the derivative sufficiently parallel those of the cash market instrument, the derivative may be substituted on a short-term basis for the cash market instrument, or on a longer-term basis to avoid withholding taxes. The strategy is particularly useful when investing cash flow or liquidating investments, since the derivative can be used to manage more precisely market entry and exit points.

Risk Control: When characteristics of the derivative instrument sufficiently parallel those of the cash market instrument, an opposite position in the derivative can be taken from the cash market instrument to alter the exposure to or the risk (volatility) of the cash instrument. This strategy is useful to manage risk without having to sell the cash instrument. Sometimes referred to as "hedging," the use of the derivative in this context means that there is a high correlation in price movement between the cash market instrument and derivative instrument.

Arbitrage: When a transaction is done for profit based on a price difference between a derivative and a similar fungible cash instrument, this transaction is known as arbitrage. This involves the simultaneous purchase and sale of two instruments for the purpose of capturing a pricing disparity between them. An example of this transaction is an index arbitrage where a simultaneous trade to buy an index of stocks and a trade to sell a similar index futures contract occurs, where the sale of the index futures contract may be higher than the purchase. This transaction allows the arbitrageur to gain a profit from the price difference between similar securities. This usually takes place due to different markets, exchanges or instruments. This is only permissible when expressly stated by an investment policy and/or manager guidelines.

(b) Not Permitted

Speculation: When the derivative is purchased or sold for the purpose of achieving a higher possible gain than traditional investments but the investor recognizes that a higher probability of loss could be realized, this transaction is called speculation. An example of speculation is the purchase or sale of an option with the sole purpose of

achieving gain. The investors assume the risk taken by purchasing or selling the option with the understanding that they could lose all of their invested principal due to the finite life of the option. The goal of every program should be the attainment of the best risk adjusted returns for the portfolio.

2) Types of Instruments

The derivative instrument market is evolving and new instruments are created constantly, therefore listing permissible and non-permissible securities is always problematic. Rather than list each derivative security, classes of derivatives will be described below, and may only be used by managers with guideline authority to do so. The prohibitions and examples are designed to enhance interpretation and understanding of this philosophy and should not be considered an exhaustive list. Any derivative transaction, or action not specifically permitted within this section, is prohibited unless approved by the Board. Managers must request approval for any exception.

Futures Contracts: Stock index futures, interest rate/bond futures and currency futures contracts which are Commodities and Futures Trading Commission (CFTC) approved are permitted when the manager has permission to invest in the underlying or deliverable cash market instrument. Financial futures may be used to manage the duration of the portfolio, to implement sector changes rapidly, and as a substitute for physical securities when advantageous. The use of futures provides substantial benefits in terms of reduced transaction costs and flexibility to invest in physical securities. Financial futures should be used in a manner consistent with the overall duration target and investment objectives.

The face value of interest rate futures contracts shall be defined as the duration-adjusted bond equivalent value of the contract. The objective of this adjustment is to equate the price volatility of short-term credit market instruments with the price volatility of long-term credit market instruments. The adjusted face value will be used for all exposure calculations.

Options: Stock index options, options on stocks and bonds and currency options, and exchange traded options on futures are permitted for use by managers who have permission to invest in the underlying or deliverable cash market instrument or whose mandate is to overlay a designated portfolio of deliverable cash market instruments.

Futures and options contracts shall be limited to liquid instruments actively traded on major exchanges and Over-the-Counter.

Currency Forward Contracts: Currency forward contracts are permitted for use by managers who have permission to invest in the underlying or deliverable cash market instrument or whose mandate is to overlay a designated portfolio of deliverable cash market instruments. Foreign exchange transactions may occur between foreign currencies (cross currencies) when made in anticipation of future sales or purchases of securities or when consistent with the investment manager's currency management guidelines.

Unless expressly permitted in the investment manager's guidelines, forward positions should not have a notional value, as measured in local currency, greater than the currency asset being hedged, allowing for short-term fluctuations due to operational aspects of trading and pricing. Further, managers are required to diversify roll dates when significant levels of hedging are in place, e.g. over 50% of the account value, or when roll dates extend beyond six months. Derivative positions will be marked-to-market daily.

Swaps: Swaps which may provide for the receipt of the rate of return of the permitted cash market instrument are allowed. For currency forward contracts and swaps, counterparty credit risk will be monitored. Counterparty creditworthiness shall be equivalent to investment grade A (S&P) and/or A (Moody's), and exposure will be defined within individual manager guidelines. Derivative positions will be marked-to-market daily.

Structured Notes and Mortgage Derivatives: Structured notes and mortgage derivatives are permitted and are expressly addressed in manager's investment guidelines. However, certain structured notes may not be used if they have the following characteristics:

- significant difficulty or imprecision in measuring risk of the security or its underlying collateral;
- highly unpredictable cash flows;
- poor liquidity;
- implied leverage;
- subject to dramatic duration shifts with changes in interest rates (extension risk), such as floating rate securities whose interest rate reset provisions are based on a formula that magnifies interest rate changes, e.g., inverse floaters or leveraged floaters.

Derivative positions will be marked-to-market daily.

Floating rate reset mechanisms must be tied to domestic fixed income indices. Cost of funds indices and foreign exchange indices are examples of inappropriate floating rate structures.

Specific structures and constraints will be addressed in managers' guidelines.

Warrants: Purchasing warrants separately is prohibited; however, warrants are permitted when attached to securities authorized for investment.

Credit Default Swaps: The purchase and sale of single issuer and basket/index credit default swaps are permitted for use by managers, if expressly permitted in the manager's investment guidelines included in its contract. High yield credit default swaps may not be used to create a net short position for a single issuer.

3) Diversification of Counterparties

For non-exchange traded derivatives, individual counterparty exposure is limited to 10% of the Trust. Individual counterparty gross gain/loss exposure is limited to 0.5% of the Trust's assets. If these limits are exceeded, Staff will inform all investment managers that within 10 days of notification, no additional derivative exposure may be initiated with that counterparty until further notice unless the trades are being placed to reduce risk with the counterparty.

4) Reporting Requirements

Prior to initiating a derivatives position, the manager must provide a written Derivatives Program and procedures. Daily the manager must mark-to-market the derivative positions through the use of a daily pricing service and reconcile cash and margin positions to the custodian bank.

Managers must provide a report monthly that outlines by derivative:

- counterparties used, quality of the counterparty, and the market value, cost value, gain/loss, notional exposure, and amount of exposure;
- a description of the strategy and expected outcome of the derivative use; and the quantified impact to the portfolio.

5) Responsibilities and Delegations

The Board is responsible for approving and amending the derivatives program and has delegated responsibility for administering the program to the Board staff.

The Board Staff shall review the written policies and procedures of the external money managers with respect to derivative use, and shall monitor reports from the managers and master custodial bank at least quarterly to ensure derivative use is in compliance with this program.

The Board may permit an investment manager to invest in derivatives as defined within the fund's investment prospectus, declaration of trust or other governing documents. Specifically, the Board may invest in derivative securities within commingled or mutual funds that invest in derivatives based on the investment fund managers' use of derivatives as described in their prospectus, written characteristics, or other governing documents.

The managers are granted investment discretion under their investment management agreements subject to any restrictions in their investment management guidelines. The Board delegates to the managers the execution of derivatives transactions under this statement. The managers who are permitted to use derivatives must comply with this statement, or use of derivatives is prohibited. Nothing in this program supersedes the managers' legal obligations to the Board contained in their investment management agreement.

VII) PERFORMANCE REVIEW AND MONITORING

Performance and risk will be monitored to ensure compliance and progress toward stated goals and objectives. The Board believes timely reporting and communications concerning the status of investments and their performance is essential.

Staff shall deliver independent reports to the Board adequate to indicate whether the Trust is meeting its objectives and that will permit the Board to monitor each portfolio for compliance with this statement. The Board will establish performance and risk measurement and attribution standards for the total Trust, each asset class and component portfolios.

The performance of the CRHBT portfolio will be measured in comparison with the return calculated on industry-recognized market indices and other relevant indices representing returns achieved by comparable investment portfolios and programs. Although the focus of the CRHBT investment program is long term, a three- to five year measurement period will be used to evaluate performance of the specific portfolios within the CRHBT.

Investment managers will be measured against stated objectives, an appropriate benchmark and a peer universe of portfolios managed by a similar investment style. Active managers should exceed their respective benchmark, net of fees, over a three to five-year period.

In the event of significant or consistent underperformance at the Trust or investment manager level, Staff will identify primary drivers for the Board and recommend corrective action as appropriate.

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